

PUBLIC DISCLOSURE

APRIL 19, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BILLERICA MUNICIPAL EMPLOYEES CREDIT UNION

365 BOSTON ROAD
BILLERICA, MA 01821

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of BILLERICA MUNICIPAL EMPLOYEES CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The credit union's composite rating of "Satisfactory" is based upon three performance criteria. The credit union's net loan to share ratio has averaged 36.7% for the period 1998 and 1999. The net loan to share ratio has fluctuated during this period from a high of 38.8% on June 30, 1998 to a low of 33.6% on June 30, 1999. As of December 31, 1999 this ratio stood at 36.1%. This ratio is low and does not compare favorably with that of other credit unions of similar size and type. Therefore, the credit union does not meet the standards for satisfactory performance under this criterion. A review of the credit union's consumer loan portfolio from January 1, 1998 to March 31, 2000, revealed that the credit union originated a significant percentage of these loans to low and moderate-income borrowers. The credit union was found to exceed the standards for satisfactory performance under this criterion. Finally, the credit union has not received any complaints pertaining to its CRA performance and fair lending policies and practices are considered reasonable given the size and resources of the institution. Performance under this criterion was therefore determined to be Satisfactory.

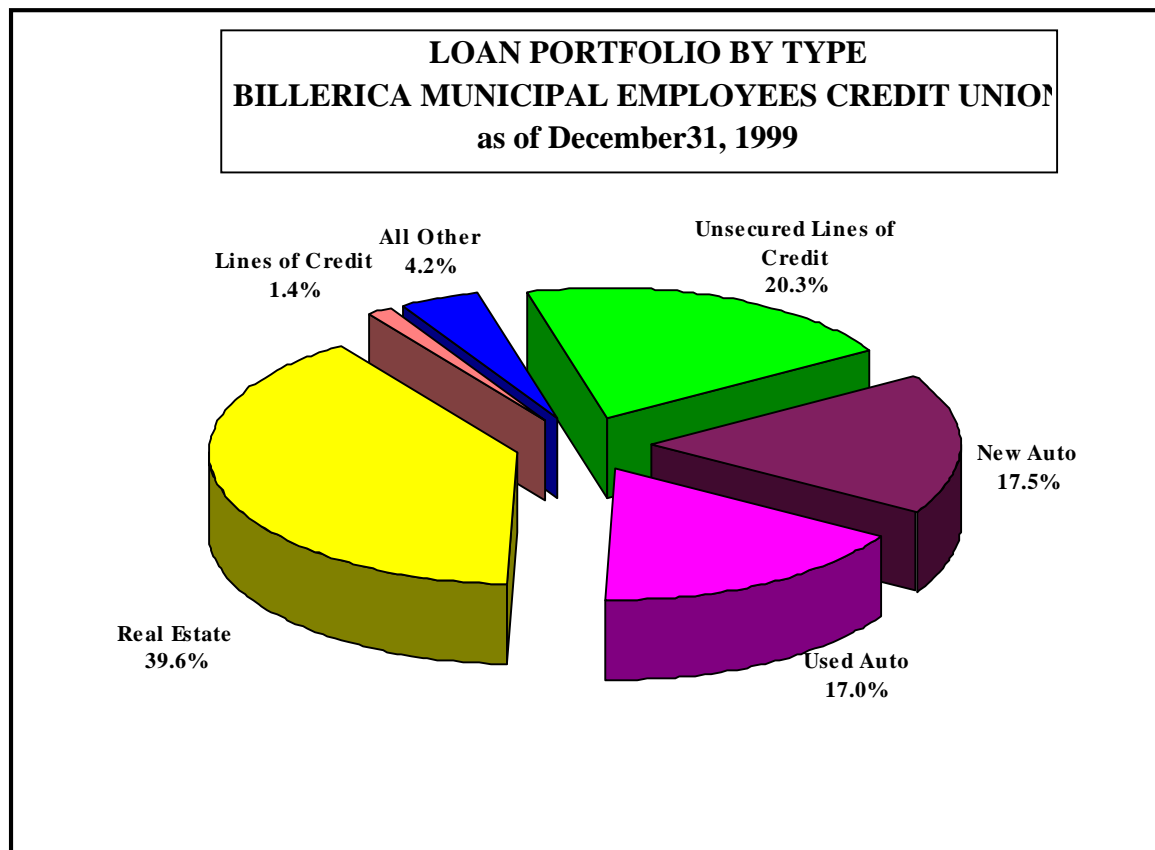
PERFORMANCE CONTEXT

Description of Institution

Billerica Municipal Employees Credit Union was chartered by the Commonwealth of Massachusetts in October 1971 for the purpose of promoting thrift among its members and the loaning of such savings to its members. The credit union's membership (per its bylaws) is limited to employees of the Town of Billerica and members of their families except that other persons shall be deemed as members if they are parties to a joint account with a member. The credit union's total membership consists of 1,438 individuals.

As of December 31, 1999, the credit union had assets of approximately \$10.3 million with loans comprising approximately 30.6 percent of all assets, or a total of approximately \$3.1 million. The loan portfolio is composed of residential real estate loans, personal loans, new auto loans, used auto loans and lines of credit. Currently, the highest percentage of the credit union's loan portfolio consists of real estate loans at 39.6% followed by new and used auto loans at 34.5%, and unsecured lines of credit at 20.3%. The remaining 5.6% of the loan portfolio consists of secured lines of credit and other consumer loans.

The following chart illustrates the composition of the loan portfolio.



The credit union operates one sole office located at 365 Boston Road, Billerica. Office hours are 9:00 AM to 4:00 PM, Monday through Friday. The main office is located in the Billerica Town Hall. The credit union's office locations and banking hours are considered convenient and accessible to its members.

The credit union does not originate residential mortgage loans. However, credit union members who seek mortgage credit are referred to CUMEX Mortgage Service Center of New England. After the application is approved, the credit union purchases the mortgage from CUMEX if it conforms to the credit union's own guidelines. During the current exam period, the credit union purchased 9 loans, totaling \$1,044,914.00.

There appears to be no significant financial or legal impediments, which would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on February 4, 1998. That examination resulted in a "Satisfactory" rating.

Description of Assessment Area (Membership)

Billerica Municipal Employees Credit Union defines its assessment area as its membership, in accordance with the revised Massachusetts CRA Regulation, 209 CMR 46.41(8), which states "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area". Billerica Municipal Employees Credit Union has elected to identify its assessment area in this manner.

PERFORMANCE CRITERIA

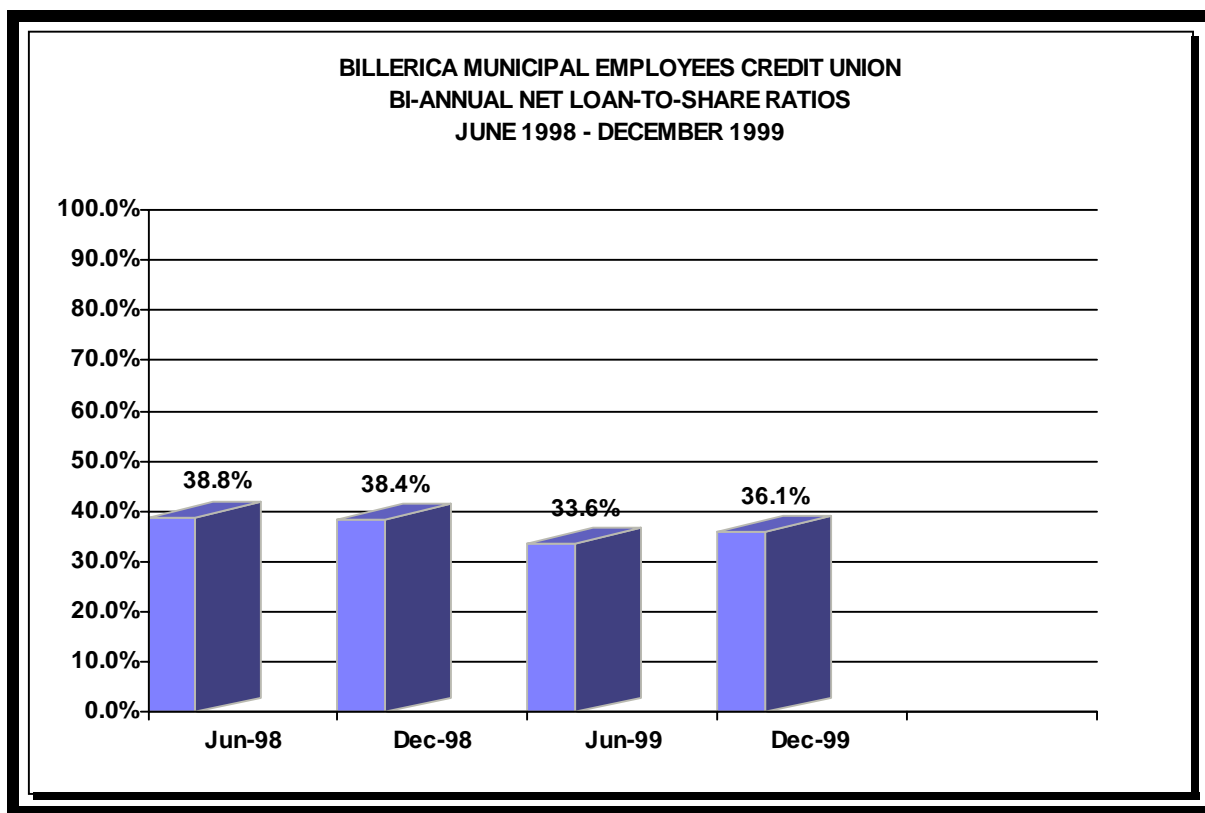
1. LOAN TO SHARE ANALYSIS

An analysis of Billerica Municipal Employees Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated four, semi-annual periods of the credit union's net loan to total share figures utilizing the NCUA (National Credit Union administration) 5300 call reports. The ratio is based on the loan amount net of the allowance for loan and lease losses (ALLL). This review included the periods ending June 30, 1998, through December 31, 1999.

The institution's average net loan-to-share ratio during this period was determined to be 36.7%.

The analysis revealed that during the period under review, the ratio has fluctuated from a high of 38.8% on June 30, 1998 to a low of 33.6% on June 30, 1999.

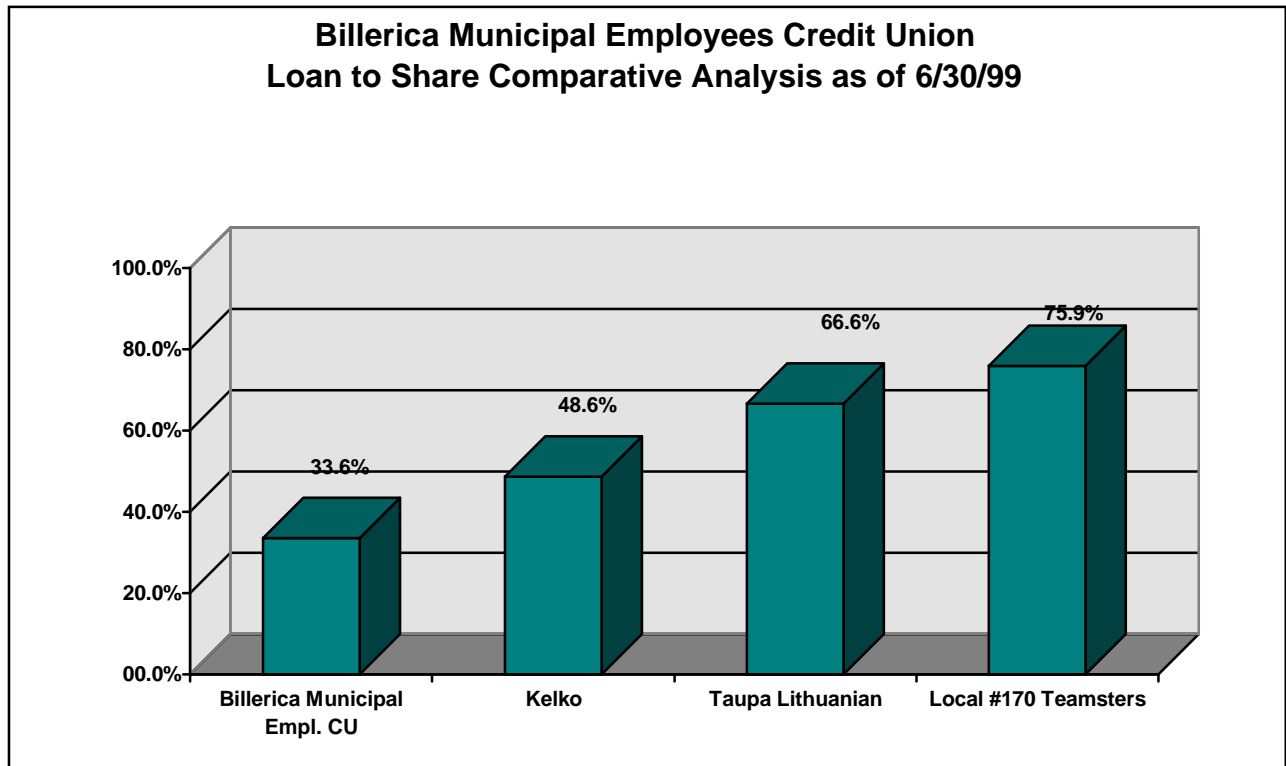
The following graph illustrates the loan-to-share trends.



Source: NCUA 5300 Call Reports

The above chart shows significantly low net loan to share ratios in 1998 and 1999.

The credit union's net loan to share ratio was compared to the ratios of three other similar type institutions as of June 30, 1999. The following graph illustrates the loan-to-share trends.



As indicated in the above graph, the credit union's loan-to-share ratio is relatively low and unfavorable when compared to the other institutions.

Based on the above information, Billerica Municipal Employees Credit Union's capacity to lend, the capacity of other similarly situated institutions to lend to their members, Billerica Municipal Employees Credit Union's loan-to-share ratio does not meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the revised CRA regulation, 209 CMR, section 46.41, a credit union whose membership is not based on residence may define its assessment area as its membership, as opposed to a geographic area. As Billerica Municipal Employees Credit Union's membership is not based on residence, an evaluation of credit extended inside and outside of the assessment area was not conducted, as such an analysis would not be meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of a sample of consumer loans extended within the credit union's assessment area in 1998 through March 31, 2000 was conducted. The majority of the loans were originated within the Lowell MSA (Metropolitan Statistical Area). Originations were categorized by the ratio of the applicant's reported incomes to the 1998, 1999 and 2000 estimated median family incomes of the Lowell Metropolitan Statistical Areas (MSA). The median family incomes for the Lowell MSA were \$59,200 for 1998, \$61,800 for 1999 and \$64,900 for 2000. Income figures were based on estimated 1998, 1999 and 2000 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level. Middle income is defined as income between 80 and 119 percent of the median family income level. Upper income is defined as income greater than 120 percent of the median family income.

A sample of 80 loans or approximately 10% of the loan portfolio was analyzed to determine the level of lending by borrower income.

The following tables present the results of the analysis.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% of Median MSA Income	1998		1999		YTD 2000*		TOTAL	
	#	%	#	%	#	%	#	%
<50%	5	16.7	16	48.5	6	35.3	27	33.8
50% - 79%	13	43.3	10	30.3	7	41.2	30	37.5
80% - 119%	11	36.7	7	21.2	4	23.5	22	27.5
120% >	1	3.3	0	0.0	0	0.0	1	1.2
TOTAL	30	100%	33	100%	17	100%	80	100%

Source: In-House Files

* As of March 31, 2000

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% of Median MSA Income	1998		1999		YTD 2000*		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	17	7.1	50	43.1	34	35.4	101	22.4
50% - 79%	103	43.1	35	30.2	25	26.1	163	36.1
80% - 119%	102	42.7	31	26.7	37	38.5	170	37.7
120% >	17	7.1	0	0.0	0	0.0	17	3.8
TOTAL	239	100%	116	100%	96	100%	451	100%

Source: In-House Files

* As of March 31, 2000

As indicated in the above tables, by number, 33.8% of the loans originated were to low-income borrowers, and 37.5% were to moderate-income borrowers. By dollar amount, 36.1% of the loans originated were to moderate-income borrowers and 22.4% were to low-income borrowers. This demonstrates an excellent record by the credit union in attracting low and moderate-income members. It should be noted that these percentages are affected in part by the restrictions on lending opportunities resulting from the credit union's bylaws. Also, this loan data tends to reflect individual loan applicants while the analysis is based on a comparison to median family income. Nevertheless, the distribution of loans reflects a very good penetration of borrowers of all income levels, particularly those of low and moderate-income. As such, the credit union is deemed to exceed the standards for satisfactory performance under this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to designate its membership as the assessment area. Since the Billerica Municipal Employees Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS

Billerica Municipal Employees Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The credit union maintains a formal fair lending policy. The following details the credit union's fair lending policies and practices as they relate to the criterion outline in Regulatory Bulletin 2.3-101, the Division's fair lending policy.

STAFF TRAINING

The credit union has taken reasonable steps to train its staff in matters pertaining to Fair Lending and CRA given its resource limitations.

STAFF COMPOSITION AND COMPENSATION

As of April 19, 2000, the credit union's staff consisted of 2 full-time employees and 2 part-time employees.

The credit union's Treasurer/Manager and Assistant Manager are responsible for originating and purchasing loans. They are not compensated on a commission basis.

OUTREACH

The credit union utilizes the day to day contact with members and potential members as its primary form of outreach.

MARKETING

The credit union's marketing program includes monthly and quarterly statement stuffers, lobby brochures, direct mail brochures and various promotional flyers. The credit union publishes a quarterly newsletter "Quarterly Byline" which informs its membership of new products, upcoming lending programs and general information pertaining to the credit union's activities. No portion of the membership appears to be excluded from these efforts.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union reviews its products on an ongoing basis. During the holiday season, loan promotions are undertaken and publicized offering lower interest rates. Underwriting standards are reviewed continually by management and the board to ensure that no one is arbitrarily excluded from qualifying for a loan.

CREDIT EDUCATION

The credit union is currently involved with referrals to CUMEX which provide service and seminars for the first time homebuyer.

COUNSELLING

The credit union's staff provides a list of credit counseling agencies to denied applicants.

SECOND REVIEW PRACTICES

All applications are approved or denied by management and the credit committee reviews all decisions to ensure every effort has been made to approve the loan.

INTERNAL CONTROL PROCEDURES

The credit union uses its second review practice as its internal control procedure.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BILLERICA MUNICIPAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 19, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.